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CONDITIONS IN THE WOMEN'S GARMENT INDUSTRY

February 3, 1988

ECONOMIC BACKGROUND

Preliminary data on 1987 real Gross National Product, the measure of the nation's output of goods and services adjusted for price changes, show that the average GNP for the year rose 2.9 percent over 1986. This was below the Administration's forecast. The data, released last week and subject to two future revisions, underline the fact that nearly one half of the annual increase is due to the rise in business inventories.

The run-up in inventories in the fourth quarter was especially high, reaching $58.3 billion, on an annualized basis, against a rise of $24.6 billion in the third 1987 quarter. Accumulation of inventories normally forces a production slowdown to reduce the overhang and a reduction in employment. The rise in business inventories comes at a time when the Administration is seeking to justify its position that a forced drop in the value of the dollar will revive manufacturing. (See Commentary on page 12.)

Inventory accumulation problems have existed in the automobile industry for some time. They are now spreading into manufacturing and retailing as a whole. With inventories rising sharply in each of the three months of the fourth quarter, GNP growth in that quarter reflects the output of goods that remain on shelves and in warehouses.

The growth in inventories is reflected in the unusually sharp 1 percent drop in personal consumption expenditures in the fourth quarter, after rising more than 1 percent in the third quarter. The decline in durable goods purchases in the quarter was especially severe and wiped out the substantial gain in such sales in the prior quarter. Non-durable goods purchases also showed considerable declines in each quarter and were most severe in the final quarter. Only services rose modestly in personal consumption expenditures.

The decline in personal outlays in the last quarter is reflected in retailing, where the ratio of stocks to sales hit a new high. Car inventories contributed significantly to the development. The rise in inventories led retailers to cut prices sharply in early December to move their slow-moving goods. This kind of policy usually means the borrowing of sales from the months that follow. In effect, therefore, the chances are that retail sales will continue to be slack at least for the first month or two of 1988.

Big-ticket durable goods orders were up a sharp 6.7 percent in December. Aside from the cautions that apply to generalizations based on one-month's data, it should be noted that 75 percent of these orders came in only one category -- aircraft. Machine tool orders rose by almost 77 percent in December, although for 1987 as a whole they were slightly less than in 1986.

Gross private domestic investment was up 4.7 percent in the fourth quarter of 1987, all of the rise being concentrated in non-residential and residential structures. Outlays for non-residential equipment were down.

Housing starts in December dropped a steep 16.2 percent, the largest monthly decline in three years. While, once again, one-month data are not sufficient to make a judgment, how residential construction fares in the early months of 1988 is worth watching carefully. As a result of the December drop, housing starts plunged in 1987 to the lowest level since the 1982 recession year. The weakness in construction has been attributed to higher interest rates, which have shown strong increases since last spring.

Exports of goods and services continued to rise in the fourth quarter and for 1987 as a whole, although the last quarter showed a decline in the rate of growth as against the two prior quarters. After gaining sharply in the third quarter over the second, imports in the fourth quarter also continued to grow more slowly than exports.

The trade deficit continues at an extremely high level, although somewhat less in the fourth quarter than in the two prior quarters. While the decline in the dollar has had some effect on the trade and services balance, it still has a long way to go. It remains to be seen whether the dollar can be dropped sufficiently to seriously reverse the trade imbalance without doing great harm to other aspects of our complex economy.

Government purchases of goods and services, which had dropped sharply in the first quarter of 1987 and recovered somewhat in the next two quarters, was up a substantial 3.0 percent in the last quarter. Almost all of the increase came in federal government outlays. Military spending declined slightly while non-military purchases, which represent about one-fourth of federal outlays, rose sharply. State and local government expenditures inched up, somewhat more in the last quarter than in the prior two quarters.

Manufacturing output was up at a faster clip in almost all four 1987 quarters than in recent years. However, the rate of increase has been slowing since October and was almost flat in December. Manufacturing exports have been rising, but increases in inventories and the significant decline in personal consumption expenditures can be expected to limit manufacturing output growth. It remains to be seen whether manufactured exports alone will suffice to keep output increases going, although there is considerable doubt this will happen.

Employment rose throughout 1987, most of it in lower-paying service and service-related industries. Reflecting the pick-up in manufacturing output, production-worker employment was up in each quarter, most sharply in the third and fourth quarters. Unemployment continued to decline in each quarter and reached a recent low point of somewhat over seven million in the last quarter.

However, as in the past, unemployment data do not reflect the almost one million workers who have left the labor force because they are convinced they

cannot find employment. Also omitted are the more than six million workers who are employed only part time for economic reasons, but would prefer to work full time. Inclusion of both in the unemployment data would raise the percent of workers not working by close to four percent.

Unit labor costs in private non-farm employment rose slightly in each 1987 quarter, in large measure a reflection of minimal wage increases in industry as a whole. In line with the increase in manufacturing output, average weekly hours worked by production workers moved up in each quarter, most sharply in the last three months. Total manhours worked in manufacturing were also up in all four quarters, again most sharply in the last quarter. As already noted, there is room for considerable doubt that this will continue.

The Consumer Price Index rose 4.4 percent between December 1986 and December 1987. The recent price rises stand out in view of the relatively modest price increases in recent years. If prices continue to rise substantially in 1988, some government action may be expected because of the sensitivity of prices in many markets. Such efforts, if they come about, will, of course, raise a host of additional problems.

RETAIL SALES

Retail spending, which for years had powered the nation's economic engine, finally began to show signs of running out of fuel in 1987. Overall sales by the nation's retailers increased only 3.5 percent over 1986, with most of the gain due to higher prices. In real terms, the gain was only 0.5 percent.

The 1987 weakness is all the more evident considering that the 1986 real gain was 6.5 percent, and that in three prior years the real gain exceeded 5 percent. Not since the 1981-1982 recession has retail spending been so flat.

The soft performance should not have been unexpected. Danger signs were in evidence for some time. A combination of declining real incomes and record high levels of consumer credit made it inevitable that at some point the rate of increase in spending would slow sharply. Low and moderate income families had been feeling the economic crunch for some time. By the Fall of 1987 middle and upper income Americans were being affected as well. The stock market plunge last October merely intensified these developments.

From September on, real retail sales as a whole began to lag behind 1986 levels. The Christmas selling season got off to a late start and ran out of steam before it finished. December's real sales were fully 3.3 percent off the prior year pace even though consumer prices were moderating at year's end.

The late 1987 setbacks affected both durable and non-durable goods. For 1987 as a whole, sales of durables in current dollars rose 2.6 percent. After allowance for price changes, the gain was 1.1 percent. Even these small gains are overstated because of the many rebate programs operating during the year. Rebates are paid directly by manufacturers to consumers and retailers record sales at the full, rather than the reduced, value.

Non-durable goods sales were up 4.1 percent in 1987, but the gain was almost entirely matched by price increases. The real gain was only 0.1 percent.

Performance varied widely last year. Better than average gains were recorded by stores selling hardware, radio and television, shoes, drugs, sporting goods, books, optical goods and flowers. Food stores and gasoline stations had less than average gains and liquor and camera store sales declined.

The general retailing malaise spilled over into sales of women's and children's apparel. Total volume for the year was up 5.2 percent. With retail prices of garments rising an even faster 5.6 percent, real sales for 1987 lagged 0.4 percent behind 1986. While many retailers contended that they were forced to raise prices to absorb higher costs, Bureau of Labor Statistics data show that the wholesale price of women's and children's clothing rose only 1.7 percent in 1987, a far slower pace than at retail.

Sales of women's and children's wear deteriorated as the year progressed, notably after Easter. Except for marginal gains in June and July, 1987 real sales have been down against 1986 since May. The back-to-school and Christmas shopping seasons failed to live up to expectations. Unseasonable weather also cut into fall volume.

Compounding the problem was too much design sameness, especially in sportswear. Increased reliance on imported garments which require long lead time places undue emphasis on safe designs. The increased role of retailers in the manufacturing process and greater use of store label merchandise have had a similar effect. The very essence of the fashion industry -- innovation, creativity and risk -- are being diminished as retailers search for ever greater profits.

RETAIL SALES OF WOMEN'S AND CHILDREN'S WEAR* BY TYPE OF OUTLET
(in millions of dollars)

Period	Total Sales	Department Stores	Women's Specialty Stores	Family Clothing Stores	Other Retail Outlets
1973	$27,974	$12,308	$9,336	$2,502	$3,828
1980	49,202	20,409	17,333	5,007	6,453
1981	55,077	23,188	19,318	5,745	6,826
1982	59,160	24,477	20,884	6,504	7,295
1983	64,973	26,460	23,262	7,273	7,978
1984	71,378	29,335	25,775	7,714	8,554
1985	77,173	30,765	28,985	8,301	9,122
1986	83,311	33,488	31,797	8,863	9,163
1987	87,641	35,385	33,371	9,524	9,361

* Data include traditional products of the women's garment industry as well as millinery, furs, hosiery, gloves and other accessories.

SOURCE: ILGWU Research Department (benchmarked to 1967, 1972, 1977 and 1982 Census of Business).

The one major positive factor supporting women's and children's wear sales in 1987 has been the increased participation of women in the labor force. This has stimulated demand for office and business wardrobes. But a saturation point is fast approaching.

In 1987 the family clothing stores showed the largest gains as purveyors of women's and children's apparel with a 7.5 percent advance in current dollars. Department stores were second with a 5.7 percent gain and women's specialty stores were third with a rise of 5.0 percent over 1986. Other outlets made the poorest showing with only 2.2 percent gain.

Projections for 1988 are mixed -- some retailers are bullish, others cautious. We see few signs of a major upturn in sales -- whether in retailing as a whole or in apparel -- in the immediate future. There is little evidence that the necessary turn around in consumer income, debt and confidence is in the offing. Indeed, we may be on the brink of a major downturn, which has always had serious consequences for apparel sales.

The overall lack of buoyancy does not mean that individual product lines or firms may not chalk up increases in the days ahead. Some always come out ahead in times of adversity. However, the anticipated resumption of higher imports suggests continued problems for domestic manufacturers as they struggle to survive. From time to time mention is made of firms returning work to domestic plants, but this has always been overshadowed by new work flowing overseas.

IMPORTS

Despite softening retail demand, imports of apparel reached new highs in 1987. Preliminary data through November indicate that imports of women's and children's apparel made of cotton, wool or man-made fibers (measured in equivalent square yards) rose 3.5 percent over the first eleven months of 1986. In contrast, imports of all apparel of these three fibers rose 5.3 percent in the same period.

Import flows began slowing in the last few months of 1987. From August on, shipments of women's and children's wear have been lower than in the same months of 1986. This development does not signify that the import problem has been solved, however. The slowdown stems from two factors.

First, apparel imports are seasonal. Shipments surge at the start of each year when quotas are still unfilled and slow at year's end. Second, this effect has been accentuated by slumping retail sales in the fall and winter. In the past, the import surges were renewed when the new year started. A similar resurgence can be expected to take place in early 1988.

In the first 10 months of 1987 (the period for which detailed data are available) the largest import gains in feminine apparel were in cotton garments, which rose 15.9 percent. In contrast, wool women's and children's wear was down 9.4 percent and man-made fiber garments were about even with the same months of 1986.

Data on imports of specific items of women's and children's wear in the first ten months of 1987 showed mostly advances over 1986 levels. Imports of

IMPORTS OF SELECTED WOMEN'S AND CHILDREN'S GARMENTS
(in thousands of units)

Product	Year 1982	Year 1983	Year 1984	Year 1985	Year 1986	Jan-Oct. 1986	Jan-Oct. 1987
Coats & jackets, cotton	18,935	18,528	23,085	24,892	26,804	21,693	25,941
" " " wool	2,229	3,276	4,343	5,001	5,637	5,151	4,656
" " " synthetic	39,915	42,645	43,578	42,325	47,660	40,302	39,316
TOTAL	61,079	64,448	71,007	72,217	80,101	67,146	69,913
Suits, wool	1,018	1,390	1,413	1,175	1,526	1,434	1,270
" synthetic	2,955	4,963	5,503	5,187	6,409	5,041	5,235
TOTAL	3,973	6,353	6,916	6,361	7,935	6,475	6,505
Dresses, cotton	9,397	12,280	16,063	17,798	20,547	17,638	21,345
" wool	415	1,022	2,109	1,741	2,321	2,095	1,504
" synthetic	13,798	21,599	25,626	30,401	36,144	30,937	31,715
" silk (non-ornamented)	1,563	2,385	3,304	3,218	3,013	2,348	844
TOTAL	25,172	37,286	47,101	53,159	62,025	53,018	55,412
Blouses, cotton	125,985	140,055	164,373	195,727	244,657	210,355	224,053
" wool	5,186	7,166	10,060	8,382	9,672	8,189	7,796
" synthetic	107,699	123,598	128,085	168,270	215,333	188,694	151,817
" silk (non-ornamented)	4,272	6,094	10,684	9,883	11,669	9,475	3,588
TOTAL (c)	243,142	276,913	313,203	395,382	490,093	424,195	394,654
Knit shirts (a), cotton	54,144	57,799	71,303	63,177	82,608	67,948	96,888
" " synthetic	137,109	170,522	158,221	149,596	178,068	156,261	166,597
TOTAL	191,253	228,321	229,523	212,773	260,676	224,209	263,485
Sweaters (b), cotton	8,900	10,000	15,189	20,820	23,745	19,693	20,561
" wool	31,055	34,392	42,063	44,338	41,387	36,152	36,569
" synthetic	115,244	128,981	136,211	145,850	148,398	139,066	138,442
TOTAL (c)	161,556	187,622	242,638	325,956	350,108	309,402	309,114
Skirts, cotton	14,740	19,530	25,501	27,495	37,767	32,712	52,355
" wool	1,556	2,933	4,206	5,224	8,309	7,584	5,773
" synthetic	7,038	13,980	15,685	18,254	32,614	28,248	32,529
TOTAL	23,334	36,443	45,392	50,973	78,689	68,544	90,656
Slacks & shorts, cotton	99,845	140,596	149,269	157,908	188,055	160,064	168,291
" " " wool	1,552	2,200	3,131	4,990	4,433	4,119	3,362
" " " synthetic	107,224	97,166	112,308	136,832	161,382	136,574	129,064
TOTAL (c)	209,390	240,748	265,970	301,234	354,738	301,552	301,010
Playsuits, cotton	23,157	24,100	34,631	40,212	46,171	36,205	39,094
" synthetic	7,126	9,493	14,144	16,428	26,707	21,455	19,015
TOTAL	30,283	33,593	48,776	56,639	72,878	57,659	58,109
Raincoats (b), cotton	2,044	2,332	3,927	2,440	2,188	1,732	1,560
" synthetics	4,578	4,445	7,534	9,406	10,836	8,736	10,438
TOTAL	6,623	6,777	11,460	11,846	13,024	10,468	11,999
Dressing gowns & robes, cotton	3,349	4,196	4,528	6,004	6,152	5,040	5,354
" " " " wool	8	10	20	41	29	25	10
" " " " synthetic	2,015	2,418	3,625	2,994	4,692	3,533	5,051
TOTAL (c)	5,406	6,689	8,270	9,193	11,067	8,723	10,450
Nightwear & pajamas, cotton	11,803	13,130	14,730	18,762	22,026	19,577	19,567
" " " synthetic	4,755	6,570	10,314	16,102	22,630	18,634	21,678
TOTAL (c)	16,585	19,742	25,111	34,981	44,780	38,301	41,294
Underwear, cotton	45,980	70,313	65,846	90,950	88,500	73,003	95,622
" wool	263	250	294	324	284	246	237
" synthetic	38,109	50,978	87,929	92,088	114,816	99,296	101,217
TOTAL (c)	84,654	121,857	154,855	184,700	206,260	174,184	199,466
Brassieres, cotton	1,640	3,244	2,800	9,180	7,753	6,778	5,777
" synthetic (c)	136,239	144,733	149,281	159,825	157,825	132,589	149,521
TOTAL	137,879	147,976	152,080	169,006	165,579	139,367	155,299
Girdles & corsets, cotton	23	38	68	110	457	398	661
" " " synthetic (c)	7,445	9,546	13,036	15,560	10,707	9,061	10,465
TOTAL	7,468	9,584	13,104	15,670	11,164	9,459	11,126
Infants' sets (d), cotton & synthetic	35,999	43,964	61,054	72,648	79,880	65,852	73,265
Swimwear, synthetic	9,247	9,949	12,090	15,149	17,411	13,871	14,427
Tops & vests, cotton & synthetic	9,453	8,393	12,358	12,033	11,329	10,186	8,167
Body suits & shirts, synthetic	2,684	5,289	5,728	4,814	4,540	4,020	5,479
Coveralls (e), synthetic	908	1,165	1,514	2,668	3,698	3,334	5,718
Judo/karate suits, cotton & synthetic	273	293	476	1,027	746	671	691

(a) Excludes knit tops
(b) Men's, women's and children's
(c) Includes garments of silk and other fibers not shown separately
(d) Up to and including 2 years of age
(e) Includes overalls and jumpsuits

SOURCE: U.S. Bureau of the Census (imports for consumption)

coveralls were up 71.5 percent, while those of bodywear and skirts were ahead by 36 and 32 percent respectively.

Imports of robes and dressing gowns, girdles and corsets, underwear, knit shirts, and raincoats rose 15 to 20 percent, while underwear and infants' sets were up 11 percent. Gains of less than 10 percent were chalked up by dresses nightwear, coats and jackets, swimwear, karate suits, playsuits and suits.

Four of the 21 products for which data are available declined through October 1987. Imports of sweaters and slacks and shorts were off by less than one percent. Blouse shipments were down by 7 percent, while imports of tops and vests were 20 percent lower than in the first 10 months of 1986.

Imports of women's and children's wear rose 17.6 percent in value in the first 10 months of 1987 over the same 1986 period. Some attempt has been made by importers and retailers to blame these price rises on quotas, but the facts suggest that other factors may be at work. A few examples may suffice.

Imports of cotton sweaters from Thailand declined 0.2 percent in number (to 151,000 dozen) in the year ending September 1987, while value rose 53 percent. No quotas were in effect. Shipments of cotton skirts from Thailand rose 279 percent (to 300,000 dozen) and 532 percent in value. The quota was less than half filled. Imports of man-made fiber playsuits from China rose 23 percent (to 533,000 dozen) and 46 percent in value. The quota was barely half filled.

Upgrading of apparel shipments to the United States is a natural phenomenon and would have taken place even in the absence of quotas. It is a consequence of attempts to increase market share. Since there is a limited market for low quality apparel, any country seeking a larger share of our market must gain a foothold in higher priced segments of that market.

Further, countries enter the low price segment of the market not by choice but because that is all their industry is capable of producing until they acquire sophistication and skill. Once they can compete in higher price brackets, they do so because of the greater profit opportunities.

The sad part of the 1987 import story is the extent to which our government continued to hand over the U.S. market to foreign producers, while the domestic industry and its workers kept losing out. What is even worse is that our government has seen fit to obscure this fact from the American public by issuing deliberately misleading information. A case in point is the recently negotiated agreement with China.

The agreement was announced on December 19, 1987 by the United States Trade Representative, Clayton Yeutter, who is quoted as saying, "Under this agreement, the annual growth rate of China's textile and apparel exports will decline from about 19 percent to about 3 percent". The release carefully omitted the fact the while growth in the second through fourth years of the agreement may average around 3 percent a year, in the first year of the agreement it will exceed 16 percent.

This huge increase stems from the high base levels set for the start of the new agreement and permits the government to claim that it is not an increase under the agreement. (The 1988-1991 quotas were published in the Federal Register on

January 4; the 1987 level is based on quotas for relevant items and actual shipments for items not subject to specific quotas). This sophistry will not provide jobs to garment workers nor feed their families.

The new China agreement in fact permits shipments to the U.S in the final year of the agreement to be 27 percent higher than in 1987, with average shipments during the four-year term 21 percent higher than in 1987.

A similar giveaway appears to have taken place in negotiations with Mexico. A bilateral textile and apparel agreement concluded this January provides rises of 6 percent a year over the life of the agreement and, according to the Journal of Commerce, January 7, 1988, substantial increases in base levels as well. Once again the Administration representatives failed to tell the American public the whole truth. The press release spoke only of the growth in the second and later years of the agreement.

The practice of granting huge, uncalled-for increases in base levels is not new. As noted in prior reports, the U.S. government has been very generous in its dealings with the exporting countries. Shipments of products not subject to specific limits are permitted to rise far beyond minimum consultation levels before the Government takes steps to issue a "call", i.e., make a request for consultations to the country involved.

In negotiations on the "called" category, the Administration over the past few years has often set specific limits at much higher levels than would be the case if "calls' were made on a more timely basis. The foreign countries know this and often deliberately overship to influence the outcome of negotiations.

The failure by the U.S. government to properly exercise the authority it has under the Multifiber Arrangement (MFA) and the bilateral agreements has led to the endless growth of apparel and textile imports, continued erosion of our domestic market and loss of many thousands of irreplaceable jobs.

At the end of 1987, imports accounted for approximately 55 percent of the domestic apparel market and the penetration level shows no signs of turning around. The only uncertainty at this juncture is how long our domestic industry can survive. A report last year by the Office of Technology Assessment gave our industry until the year 2000. Our own projections suggest that the apparel industry will cease to be viable sooner than that if present trends and policies continue.

Only one thing is capable of forcing the Administration to adopt a rational policy on apparel and textile imports -- legislation. The enactment of the Textile and Apparel Trade Act has become more essential with every passing day. There appears no other way to prevent the demise of a key American industry, one that provides jobs for countless women, minorities, immigrants and others for whom there are few or no alternative jobs.

INDUSTRY ACTIVITY

Census Bureau data on domestic apparel production are only available through the first half of 1987 and comparable earlier data are lacking. Meaningful analysis will therefore be possible when 1988 data are released. Until then, employment-related information is the best guide to activity in our industry.

Production worker employment in women's and children's wear declined 0.5 percent in 1987 following a 0.2 percent drop in 1986. Not since the end of World War II have so few been employed in our industry. Compared to the peak year of 1973, employment is down more than 25 percent, a loss of 171,000 jobs.

Overall industry employment was generally consistent throughout 1987, with each month varying by approximately one percent plus or minus 1986 levels.

The relative stability in employment for the last two years is more optimistic than justified by other facts. A growing number of garment manufacturers are importing part of their work. Imported goods are often brought to factories for processing, storage and shipment.

As a result, an increasing number of individuals counted as apparel industry production workers are in fact handling imported garments. This is in addition to workers employed by firms classified as importers or wholesalers. Were it possible to isolate workers exclusively engaged in the production of domestic apparel, the declines would be much more evident.

In the wake of plant closings and the smaller number of available workers, those still on the rolls had slightly more work to share. As a result, average weekly hours in women's and children's wear increased 1.7 percent between 1986 and 1987, while total hours worked last year increased 1.5 percent. Average weekly earnings rose 4.3 percent and this translated into a 4.2 percent increase in the industry's payrolls.

Employment in three branches of the industry gained in 1987. Knit outerwear employment rose 5.2 percent over 1986. Most of the improvement took place early in the year. After mid-year, the gain was limited to 2.2 percent.

In "other outerwear", consisting primarily of miscellaneous women's sportswear and washable service apparel, the number of production workers was ahead 2.5 percent. Activity strengthened towards the end of 1987 and a 4.0 percent gain was chalked up in the last half of the year. The smallest gain took place in the women's coat, suit and skirt industry, where employment was 1.1 percent ahead of 1986. Softness early in the year was made up as the year progressed.

Cuts persisted elsewhere in our industry. Blouse employment was off by 1 percent, while in knit underwear the decline was 1.5 percent. Underwear and nightwear employment dropped 4.7 percent, while the number of jobs in children's outerwear fell 5.5 percent. The deepest cut -- 12.0 percent -- took place in the corset and brassiere industry.

Average weekly hours were ahead in all industry branches in 1987 with gains ranging from 0.2 percent in children's outerwear to 3.3 percent in dresses. Total hours spent in the shops reflected changes in both employment and weekly hours. Total hours advanced 8.9 percent in knit outerwear, 4.1 percent in "other outerwear", 3.1 percent in coats, suits and skirts and less than 1 percent in dresses and blouses. In contrast, total hours dropped 0.3 percent in knit underwear, 3.2 percent in underwear and nightwear, 5.0 percent in children's outerwear and 11.0 percent in corsets and brassieres.

Payrolls increased in five of the nine branches in 1987: 3.7 percent in knit underwear, 3.8 percent in blouses, 4.9 percent in coats, suits and skirts, 7.3 percent in "other outerwear", and 10.8 percent in knit outerwear. Payrolls

EMPLOYMENT, MANHOURS, AND PAYROLLS, WOMEN'S AND CHILDREN'S GARMENT INDUSTRY

AVERAGE EMPLOYMENT OF PRODUCTION WORKERS

Period	Coat, Suit Skirt	Dress	Blouse	Knit Outerwear (*)	Child. Outerwear	Other Outerwear	Corset, Brassiere	Underwear Nightwear	Knit Underwear (*)
1973	64,500	183,700	45,900	70,200	68,900	102,000	24,700	72,800	28,700
1980	57,100	127,900	54,100	59,400	55,100	120,400	13,900	62,100	26,700
1981	53,200	121,300	55,000	60,000	54,700	123,400	14,200	62,500	26,300
1982	47,900	110,900	52,200	55,400	52,000	117,700	12,100	58,600	24,200
1983	47,100	105,600	51,300	54,100	51,000	124,200	12,200	58,100	24,700
1984	42,400	96,600	50,000	57,000	53,900	134,400	12,300	58,300	23,300
1985	36,600	78,800	44,100	55,700	50,800	142,400	11,200	53,400	20,700
1986	35,600	72,800	41,700	61,100	51,000	146,800	10,800	53,100	19,900
1987	36,000	70,500	41,300	64,300	48,200	150,400	9,500	50,700	19,600

MANHOURS OF PRODUCTION WORKERS (in millions)

Period	Coat, Suit Skirt	Dress	Blouse	Knit Outerwear (*)	Child. Outerwear	Other Outerwear	Corset, Brassiere	Underwear Nightwear	Knit Underwear (*)
1973	109.7	307.6	80.0	134.6	123.1	182.6	44.6	132.3	54.6
1980	97.1	202.6	92.7	114.2	97.9	209.2	24.1	113.4	49.4
1981	90.2	197.6	93.8	112.5	99.0	216.6	25.4	114.1	47.5
1982	78.1	179.9	89.7	101.7	92.1	199.9	20.4	102.8	41.9
1983	80.1	173.1	88.9	100.6	91.4	222.4	21.8	106.4	46.3
1984	72.7	160.1	86.8	106.5	98.7	241.1	22.7	107.6	43.6
1985	62.7	133.2	76.8	105.1	93.0	255.0	20.2	98.3	38.0
1986	62.0	124.0	73.6	117.4	94.9	260.6	19.1	99.5	39.1
1987	63.9	124.6	73.7	127.8	90.2	271.9	17.0	96.3	39.0

PAYROLLS OF PRODUCTION WORKERS (in millions of dollars)

Period	Coat, Suit Skirt	Dress	Blouse	Knit Outerwear (*)	Child. Outerwear	Other Outerwear	Corset, Brassiere	Underwear Nightwear	Knit Underwear (*)
1973	$347.1	$906.5	$209.6	$389.0	$314.3	$481.7	$120.1	$321.9	$144.5
1980	489.2	953.7	399.0	535.6	417.9	930.0	105.9	464.1	225.4
1981	490.9	1,002.7	436.9	567.4	450.6	1,032.7	121.3	508.5	234.5
1982	444.0	946.5	427.8	534.1	436.2	991.7	103.9	476.3	216.6
1983	476.7	953.7	436.1	555.4	438.5	1,129.6	115.1	511.4	246.6
1984	448.8	912.1	439.2	615.9	488.8	1,261.0	126.4	535.4	241.8
1985	404.0	772.4	394.3	636.8	471.2	1,361.5	118.6	508.6	217.0
1986	400.2	726.3	374.5	745.6	489.9	1,417.1	118.0	519.4	230.3
1987	419.8	754.1	371.5	826.4	476.1	1,520.4	110.0	513.9	239.2

* Men's and women's garments

SOURCE: U.S. Bureau of Labor Statistics and ILGWU Research Department estimates

were lower in the remaining four branches: 0.8 percent in blouses, 1.1 percent in underwear and nightwear, 2.8 percent in children's outerwear, and 6.8 percent in corsets and brassieres.

The unemployment rate in the apparel industry in 1987 ranged from 7.6 percent to 12.0 percent, with an annual average of 9.5 percent. While the rate has declined slightly in the past few years, it is primarily a reflection of workers leaving the industry's labor force, rather than an improvement in the employment picture. By comparison with the overall unemployment rate in the country, the apparel rate remains significantly higher.

HOURLY EARNINGS

Separate data on earnings in unionized and unorganized garment shops are not available. Data collected and published monthly by the Bureau of Labor Statistics are for all factories. They provide some indication of what is happening in our industry.

AVERAGE HOURLY EARNINGS, WOMEN'S GARMENT AND OTHER SELECTED INDUSTRIES

Industry	Nov. 1981	Nov. 1982	Nov. 1983	Nov. 1984	Nov. 1985	Nov. 1986	Nov. 1987
WOMEN'S GARMENTS							
Coats, Suits, skirts	$5.52	$5.74	$6.19	$6.33	$6.53	$6.49	$6.64
Dresses	5.13	5.32	5.56	5.76	5.83	5.89	6.07
Blouses	4.73	4.80	4.93	5.13	5.16	5.03	5.11
Knitted outerwear*	5.17	5.32	5.66	5.89	6.05	6.51	6.53
Children's outerwear	4.64	4.72	4.85	4.96	5.09	5.20	5.40
Other outerwear	4.84	5.03	5.18	5.27	5.37	5.42	5.59
Corsets, brassieres	4.94	5.09	5.39	5.56	6.02	6.23	6.70
Underwear, nightwear	4.55	4.69	4.87	5.10	5.08	5.24	5.39
Knitted underwear*	5.07	5.23	5.36	5.52	5.76	5.99	6.25
MEN'S CLOTHING							
Suits, coats	5.85	6.09	6.32	6.58	6.60	6.61	6.89
Shirts, nightwear	4.58	4.63	4.76	4.89	5.10	5.15	5.32
Separate trousers	4.73	4.90	5.04	5.23	5.29	5.26	5.33
Work clothing	4.57	4.83	4.95	5.06	5.34	5.45	5.47
ALL MANUFACTURING	8.21	8.60	8.98	9.32	9.64	9.78	10.01
NON-DURABLE GOODS	7.38	7.89	8.18	8.54	8.79	9.02	9.24
DURABLE GOODS	8.78	9.15	9.54	9.85	10.22	10.33	10.57
Automobiles	11.30	11.61	12.52	13.00	13.46	13.44	12.81
Primary metal industries	11.09	11.49	11.35	11.49	11.75	11.80	12.08
Printing, publishing	8.42	8.92	9.27	9.58	9.83	10.11	10.40
Rubber and plastic products	7.32	7.79	8.09	8.40	8.63	8.77	8.93
Cotton fabrics	5.97	6.13	6.51	6.77	7.11	7.43	7.71
Silk and synthetic fabrics	6.10	6.27	6.70	7.02	7.24	7.53	7.91
Wool fabrics	5.92	6.28	6.62	6.94	7.27	7.52	7.81
COAL MINING	12.42	13.09	14.21	15.11	15.25	15.81	16.08
BUILDING CONTRACTORS	10.16	10.64	10.72	10.96	11.24	11.61	11.96

* Men's and women's garments
SOURCE: U.S. Bureau of Labor Statistics

In recent years, hourly earnings of garment workers have varied erratically. Competition from garment imports has imposed a downward pressure on wages as has such other factors as small lots and frequent style changes.

The latest Labor Department data are for November 1987. Compared to November 1986, the largest gain -- 47 cents an hour -- took place in the corset and brassiere industry. This large increase reflects both the impact of the 1987 intimate apparel contracts and the continued departure from the United States of sewing on these garments. Remaining occupations, cutting, etc. have higher wage rates and the disparate dislocation leads to a higher average.

Elsewhere in the intimate apparel field earnings rose 26 cents in knitted underwear and 15 cents in women's and children's underwear and nightwear.

In the outerwear field, earnings include the two step increase under the 1985 outerwear agreements negotiated by the ILGWU. The agreements expire this May and preparations are underway for their renegotiation.

Hourly earnings this past November were up 20 cents in children's outerwear, 18 cents in dresses, 17 cents in "other outerwear" (encompassing various sportswear items as well as washable service apparel) and 15 cents in the coat, suit and skirt industry.

The smallest gains were in blouses -- up 8 cents an hour -- and in knitted outerwear, where the advance was held to 2 cents.

COMMENTARY

After years of denigration, manufacturing has suddenly emerged as the new economic savior. Manufacturing, we had been told for many years, is "sunset" and services "sunrise." For the moment, at least, the new outlook is being echoed in government, the press and on Wall Street.

A reversal in the manufacturing trade balance suddenly has become the only important element in our complex economy looked upon to turn around the stock and money markets. Forgotten are the usual explanations of market changes such as interest rates, the federal budget deficit, investor psychology and so on. The long maligned manufacturing industry is now to do it all.

October 1987 had registered the highest trade deficit ever. The stock market and the dollar dropped sharply. Manufactured exports had risen in dollar terms, but imports were up even more. Fear of a November repeat had Wall Street on edge. November data, released in mid-January, however, showed a lower deficit. Manufactured exports were up and the deficit declined from $17.6 billion for October to $13.2 billion in November.

The trade deficit drop was hailed by the Administration as the long awaited turnaround. Wall Street and the dollar rose for a day. Since the post October 19, 1987 market crash, both have been see-sawing especially after unfavorable December Japanese trade figures became available. Our manufactured exports were not high enough and imports not low enough to turn the tide with our most critical trading partner.

However, the Administration and the media say that the "J curve" has finally set in and that the three-year government-directed dollar decline is at last having its affect. Despite the apparent signs of improved trade figures, there are good reasons to believe that the problem is far from a solution.

One month's data are insufficient for a definitive judgment on any aspect of the economy. Although this conclusion seems obvious, Administration spokesmen usually hail as definitive one month of data that appear to substantiate policy, while asserting, when the data are negative, that one month is not enough to draw conclusions.

In seeking a better handle on the trade deficit and the prospects for improvement in the near future, at least two major areas should be explored:

* the role played by the decline in the relative value of the dollar and the sustainability of that decline

* the future of U. S. manufacturing in domestic and foreign markets

Conventional economic theory has it that when the dollar loses value with respect to the Yen, say 50 percent, prices of U. S. exports to Japan should drop 50 percent and prices of imports from Japan should rise 50 percent. Theoretically, the sales of domestically produced products should rise equally with those of imported products.

However, our exports have not risen commensurately with the devaluation of the dollar, nor have imports dropped as much as the dollar has fallen. This is the dilemma of the Administration and of the thinking of simplistic theoreticians. In fact, as the dollar fell in relative value, import prices rose considerably less and imports have yet to decline appreciably in dollar terms.

We have pointed to this anomaly in prior Commentaries. Large exporters in Japan and other nations absorb some of the price increases to maintain market share and some is taken out of the hides of suppliers. Administration policies that have led to rises in imports and declines in domestic manufacturing -- in some cases wiping out major parts of or entire industries -- make a more competitive America in the short run virtually impossible.

We have also pointed to the failed efforts of the Nixon and Carter governments to reverse merchandise trade deficits by devaluing the dollar and how past devaluations not only did not solve the problem, but aggravated it.

Despite such failures, this Administrations still looks to devaluation of the dollar. It seeks to prevent a precipitous fall in the stock market by maintaining relatively low interest rates. To finance our budget deficit, it has for most of the past seven years relied on foreign purchases of government bonds, whose attraction has been higher yields than are available elsewhere.

However, the trade deficit has continued along with growing concerns about how to finance the budget deficit if foreign funds drop off. Large-scale foreign funding could again require higher interest rates. If that happens, the stock market will fall again. And so the dilemma continues.

When the dollar threatened to go into a free fall, near panic conditions developed in financial communities throughout the world. A free fall of the

dollar, along with the shakiness of the international financial community and the high level of speculation, threatened a worldwide financial crisis of considerable proportions.

The Administration has ascribed our nation's woes to the refusal of Japan and Germany to rev up their domestic economies. The concern abroad is that the U.S. had not gotten its own economic house in order and therefore should not attempt to dictate economic policy to others.

In the euphoria surrounding the first look at November 1987 trade figures, there was talk that the dollar had reached its nadir and that the trade deficit was beginning to reverse itself. Yet, given the irrationality of Reagan policies, it is difficult to judge what the Administration's next move will be. It may well continue to follow a flawed and failed devaluation policy, seeing no alternative in the context of its current thinking.

Ultimately, of course, further severe declines in the value of the dollar could reverse the trade balance. But it could also create a worldwide financial panic of major proportions.

A rational effort to deal with the trade deficit would have to recognize that none of the factors cited here can be dealt with separately, that trade policy, along with the value of the dollar, and domestic manufacturing are intimately related. To be constructive, a policy change is necessary, one that reverses the ideological content of this Administration's program.

The heart of the problem is a determination that we must have a manufacturing industry. Some of the distortions that have flowed from contrary thinking must be tackled and redirected. Among them:

* worldwide currency speculation, a problem that receives little attention, must be reigned in

* a rational foreign exchange system must be created, along with an adjustment system, to replace the present unworkable and speculation-prone system which ostensibly relies on the market

* the need to preserve and expand domestic manufacturing to deal not only with our current trade imbalances, but also geared to job creation and raising living standards

Aside from the increasingly negative role of rising manufactured imports, the extent to which the U. S. is becoming more and more de-industrialized is reflected in the replacement of American manufacturing with the assembly of imported parts. In addition, there is a sizable amount of manufacturing abroad, some of which could be brought back home or at least the amount of such products imported here could be restricted.

"Made in America" has increasingly come to mean, "Assembled in America of Imported Parts." In the last thirty or more years, U. S. manufacturers have been going abroad in order to raise their profits by using cheaper labor. Aside from apparel and textiles, they range from automobiles to chemicals, to electronics, including high and low tech, and so on.

Going abroad to obtain lower labor costs, first begun by the giant American corporations, has been copied by others in our country, by the Japanese over the last ten years and, most recently, by such newly industrialized countries as South Korea, Taiwan and Hong Kong.

It has become common for South Korean companies, among them apparel producers, to move production to Bangladesh and Burma and the Caribbean; of Taiwan manufacturers to move labor-intensive work to Indonesia and elsewhere. They have learned a super profit-making lesson from the American corporations.

At the end of 1987, 55 percent of all apparel sold in the U. S. was sourced abroad. Increasing quantities of apparel are being sewn under Item 807 and its variants from fabrics ostensibly made in the U. S. Apparel and textile imports alone make up 15 percent of the total trade deficit. In the automobile industry, almost all of the electronic harnesses and large numbers of engine blocks, among other parts, are either completely produced abroad or assembled outside this country. Other industries are equally impacted.

Current trade policies, which not only permit, but encourage, increases in manufactured imports only result in further job losses and a decline in American living standards. This is the heart of the trade problem. It may be that additional drops in the relative value of the dollar may, if it falls "enough" -- whatever that level may be -- lead to more balance in our international trade. But it will certainly leave America a much poorer country.

If our nation continues to permit the wealthy to play with our economic destiny solely in their own interests, we are in for further destruction of America's living standards. Alternatively, the twin problems of trade and manufacturing can be taken in hand politically through legislation that would preserve our domestic industries, our jobs and our living standards.

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CONDITIONS IN THE WOMEN'S GARMENT INDUSTRY

June 21, 1988

ECONOMIC BACKGROUND

Real Gross National Product, the measure of the nation's output of goods and services corrected for price changes, was up 0.96 percent in the first quarter of 1988 or 3.9 percent at an annual rate. The increase in GNP growth reflected a further substantial rise in exports, an increase in business fixed investment and continued high levels of inventory accumulation.

Growth in first quarter GNP also resulted from a significant increase in personal consumption expenditures as against a severe decline in the fourth quarter of 1987. The rate of growth in inventory accumulation, which accounted for 80 percent of GNP increase in the fourth quarter of 1987, declined slightly, but was still very high in historic terms.

Detailed analysis of the data shows that, while exports have been growing since early in 1987, imports also continued to rise, albeit at a slower pace, and are still one-fourth again as much as exports. This difference is the measure of the merchandise trade deficit. A growing part of the export increase, not quantified by the U. S. government, comes from the export of products assembled from imported parts. Exports in the first quarter represented about 12 percent of GNP, a significant element of GNP, but one whose further growth is beginning to hit up against capacity constraints.

Substantial additional growth in the immediate future will, therefore, be more difficult. As pointed out in a prior analysis, our manufacturing structure has been neglected for years, leading to a sharp decline, if not the virtual elimination, in the last seven years of a number of industries which might have contributed to increased exports. Reported high rates of capacity utilization in industry are largely confined to the more important export-related industries.

These factors suggest that significant declines in the trade deficit may be increasingly difficult to come by even given the decline in the dollar against the currencies of most industrial exporting nations. The trade imbalance with Japan continues to be high, while imports from the Pacific Basin, which account for about 40 percent of U. S. imports and where there has been little, if any, overall decline in the dollar, continue to grow.

Research Department International Ladies' Garment Workers' Union

Residential investment dropped again as it has in almost every quarter in the past two years, while inflation-adjusted capital spending by business for equipment surged 7.4 percent. This large increase, however, has done little to augment the productive capacity of manufacturing. Recent studies show that in the last year about 60 percent of the increase in business outlays for equipment have been for information processing and less than 15 percent of this has been purchased by manufacturing industries.

Thus, capital formation has been concentrated in the information processing sector of the economy -- financial, trade and service companies. In the last four quarters, spending on heavy machinery to expand manufacturing capacity and increase the output of potential export products has represented slightly more than 10 percent of the total rise in private fixed investment. Outlays for structures have been relatively stagnant in the last year.

With investment so highly concentrated in information technology, an area prone to imports, foreign-produced high tech products account for as much as 25 percent of the U. S. market in such goods and an estimated 65 percent of the value of the increase in imports. Overall, imports represent about 35 to 40 percent of domestic capital goods investments. This factor is certainly not helping to right the merchandise trade deficit.

The rise in personal consumption expenditures in the first 1988 quarter came after a sharp drop in the fourth 1987 quarter. Outlays for durable goods accounted for the overwhelming share of the growth, while purchases of non-durables were basically flat, as they have been for most of the last eight quarters. Purchases of automobiles grew at high rates as the auto industry maintained its rebate program in order to decrease high inventories.

A considerable part of the growth in durable outlays is reflected in the ongoing heavy use of consumer credit, including the growing use of personal loans on the homes of borrowers. Installment credit reached a record level of 18.8 percent of disposable income in the first quarter and has been growing faster than disposable income in six of the last eight quarters.

Government expenditures on goods and services declined sharply in the first quarter. The most severe drops came in outlays, both military and non-military, on the part of the federal government. although in percentage terms non-military spending declined most severely. State and local government expenditures rose minimally in the quarter.

On a quarter to quarter basis, retail sales were up in real terms in the first quarter by about the same amount as the decline in the fourth 1987 quarter and continued to increase in April. The rise in retail sales in April was also concentrated in durable goods, with non-durables again flat to down. The relationship between durable and non-durable sales was the same in the first quarter a year ago.

Industrial output was up in the first quarter, but rose at a considerably lower rate than it did in the third and fourth quarters of 1987. There was, however, a substantial growth over the first quarter of 1987. Manufacturing output showed a similar pattern. The slowdown in the rate of manufacturing output gains in the first quarter, nevertheless, reenforces doubts that manufactured exports can continue to grow as they have in recent quarters.

Non-agricultural employment rose in the first quarter and into April and May as did employment in manufacturing, reflecting the increase in manufacturing exports and inventory buildups. Civilian unemployment, which declined in the the last year, including the first four months of 1988, rose to 5.6 percent in May after dropping to 5.4 percent in April. One month's data are, however, not sufficient to judge the rate in upcoming months.

The data show well over 5 million workers working parttime for economic reasons. There is also a rise to more than one million discouraged workers, those who have given up looking for work because they believe they cannot find work. Given the definition of unemployment, these latter workers are not considered to be unemployed.

Private non-farm total weekly personhours worked grew at a slightly lower pace in the first quarter than in the prior quarter, while personhours worked in manufacturing barely grew at all in the first quarter after a large increase in the fourth 1987 quarter. The consumer price index rose 3.9 percent from the first quarter of the prior year and was essentially unchanged in April. Producer prices were up at about the same rate.

RETAIL SALES

Defying prediction, retail sales rebounded in 1988, much of it the result of continued automobile rebate programs. Overall, volume through May was 7.3 percent ahead of the same 1987 months and up 4.0 percent after allowance for price increases.

Many pundits anticipated a continued worsening of retail activity in 1988 and not without substantial reason. Real spendable weekly earnings are at their lowest level since 1961 and consumer debt is at an all time high.

After a number of strong years, 1987 volume had turned lackluster, with total retail sales rising only 5.1 percent over 1986. Much of this modest gain reflected price increases, the real gain being only 2.0 percent. The picture worsened near year's end, when real sales fell behind year ago levels in September and December and rose less than 1 percent in October and November.

The major factor in the retail turnaround was the boom in sales of durable goods dealers. In the first five months of 1988, durable sales were up 12.1 percent in actual dollars and 9.9 percent in real terms. However, sales data during rebate periods, which was the case this year, tend to overstate actual activity. Retailers record sales at full value while manufacturers refund directly to the consumer.

Automobile sales were ahead strongly this spring, spurred on by rebate programs and below-market interest rates. Dependence on the automobile for transportation even produced gains in areas such as the Southwest where the overall economy has been faltering.

With new homes priced outside the range many Americans can afford, building supply dealers benefitted from the increasing trend toward fixing up existing houses. Furniture and appliance stores also showed significant gains this year as families improved present dwellings instead of moving to new ones.

This year's strength in durable goods sales is highlighted by the fact that, for the entire year 1987, durables were up only 2.2 percent after allowing for price adjustments.

Nondurable goods sales, in contrast, continue in the doldrums with much of the rise due to higher prices. In 1988, sales rose 4.4 percent, but showed a gain of only 0.6 percent after price adjustment. The most important gains were among gasoline stations and fuel dealers, mostly a reflection of higher prices, as well as drug stores. For the year 1987, actual sales rose 5.9 percent, while real volume was up only 1.8 percent.

Sales of women's and children's clothing and accessories have been exceedingly weak for the past 12 months.

In the first five months of 1988, retail performance in female apparel continued to sag. Stores registered an increase of 3.2 percent but, after allowance for retail price increases of 5.3 percent, real sales actually declined 2.1 percent. Wholesale prices of women's and children's wear rose much more moderately than the retail counterpart, gaining only 2.4 percent in the first five months of 1988.

For 1987 as a whole, actual sales volume was 5.9 percent ahead of 1986. This growth, however, was offset by a 5.8 percent increase in retail prices and real women's and children's wear volume was up only 0.1 percent.

RETAIL SALES OF WOMEN'S AND CHILDREN'S WEAR* BY TYPE OF OUTLET
(in millions of dollars)

Period	Total Sales	Department Stores	Women's Specialty Stores	Family Clothing Stores	Other Retail Outlets
1973	$27,974	$12,308	$9,336	$2,502	$3,828
1980	48,287	20,409	16,273	5,007	6,598
1981	53,746	23,188	17,764	5,745	7,049
1982	59,160	24,477	20,884	6,504	7,295
1983	62,352	26,418	20,682	7,187	8,065
1984	68,284	29,245	22,707	7,521	8,811
1985	74,141	31,698	25,211	7,990	9,242
1986	79,573	33,554	27,843	8,493	9,683
1987	84,271	35,645	29,238	9,264	10,124
Jan-May'87	30,729	12,982	10,839	3,217	3,691
Jan-May'88	31,699	13,500	11,064	3,345	3,790

* Data include traditional products of the women's garment industry as well as millinery, furs, hosiery, gloves and other accessories.

SOURCE: ILGWU Research Department (benchmarked to 1967, 1972, 1977 and 1982 Census of Business).

So far in 1988 the largest gains in women's' and children's wear sales have been chalked up by family clothing stores, with department stores a close second. Women's specialty stores have shown the smallest increases.

The distressed retail market for women's and children's wear stems from the confluence of several factors:

* American consumers lack the wherewithal to continue expanding consumption indefinitely. Real spendable weekly wages are at a 27 year low and record high levels of outstanding debt constrain both buying power and willingness to spend;

* the spectacular growth in female labor force participation of the last decade is tapering off. In fact, on a seasonally adjusted basis, there were fewer employed women this May than at any time since last December;

* too much "sameness" among the wares retailers are offering. Retailers' reliance on imports with large orders placed far in advance, in-house designing and private label goods offer greater markup, but less fashion excitement. Even at markdown prices some goods moved slowly;

* the failure of the reintroduced mini length skirt to achieve widespread acceptance led to fashion confusion. Consumers postponed purchases while waiting for a clear fashion statement to emerge;

* an increasing part of our population consists of senior citizens with a lower propensity to spend on clothing.

The retailer response to these problems has been increased caution in ordering to minimize inventory buildup. Because of the longer lead times required when garments are sourced abroad, retailers started retrenching by cutting back on import orders in the latter half of 1987. Domestic sourcing was curtailed, too, but to a much smaller extent.

These actions do nothing to solve the underlying sales problem. The essence of the fashion world is the ability to generate novel designs that stimulate consumer buying. This involves creativity and risk -- two factors that have been increasingly ignored in the retailer search for profit.

The retail apparel picture for the balance of 1988 is clouded. While some retailers and analysts speak of a successful fall season, there are few signs that a turnaround is on the horizon. Caution still pervades.

Recent merger and acquisition activity among retailers has also affected operations and staff and time will be needed for the dust to settle. This is hardly a time for innovativeness to flourish. Much will also depend on general economic developments and on the duration of the durables boom that is draining off consumer dollars that might otherwise be spent on clothing.

IMPORTS

Although imports of women's and children's apparel have been showing declines since last August, there are no signs that the basic import problem facing our industry and its workers has been resolved. What we are experiencing is a temporary phenomenon brought on by several factors.

As noted, retailers have responded to sluggish sales by holding back orders, particularly for imports. Changes have also been taking place in the import sector, including the shift of some production from Asia to Latin America. Once the domestic and import situations sort themselves out, a resumption of import growth can be anticipated unless this is prevented from happening.

Total apparel imports in the first four months of 1988 -- including men's and boys' apparel and made of all fibers -- declined 12.0 percent in square yards, but remained essentially flat in value.

Detailed data for the first three months of 1988, the latest now available, show that women's and children's wear imports in the three major fibers declined 6.1 percent, while their value rose 4.0 percent.

Even with moderating clothing imports, 1987 shipments were at an all time high in quantity and value. Imported women's and children's wear made of cotton, wool and man-made fibers rose 3.4 percent for the year as a whole if measured in terms of square yards equivalent. In value terms, the gain for 1987 was an even greater 14.9 percent.

Data on imports of individual products of women's and children's wear in the first three months of 1988 show a mixed picture in 1988. Of 13 major items for which data are available, five showed increases and eight showed declines. Imports of dresses, skirts, underwear, brassieres and girdles and nightwear all chalked up increases ranging from 6 to 13 percent.

Robe and dressing gown imports fell 6 percent, while those of blouses, coats and jackets, knit shirts, slacks and shorts, and playsuits declined between 11 and 16 percent. Suit imports were off 37 percent. Sweater imports dropped 40 percent in the first 3 months of 1988 compared to last year. However, sweaters are primarily shipped later in the year.

Recent increases in apparel prices have evoked comments that the decline in the quantity of imports was brought on by the drop in the value of the dollar which in turn boosted import prices. This interpretation is fallacious since the value of the dollar has not fallen at all in the case of most apparel exporting countries. Indeed, the overall average value of the dollar, weighted by apparel trade, has risen. This development is discussed in the Commentary section at the end of this report.

Many individuals in and out of government have argued that the recent softness in apparel imports demonstrates that the government's controls are working and that further action is not needed. This view is highly misleading. It is obvious that the current slowdown is principally a reaction to the cutbacks in consumer spending here at home.

There is also underway some defensive shuffling of production from country to country. Some importers are avoiding China because of last year's rash of forged visas which prevented some quota imports from coming into the U.S. and the embargos on upwards of 40 categories because of overshipments.

Others may be concerned over the political unrest in Korea. Still others are shifting production to the Caribbean to take advantage of low wages combined with the U.S. government's "give-away" programs -- duty loopholes and virtual quota free arrangements for merchandise that qualifies under either Item 807 or Item 807A of the Tariff Schedules.

IMPORTS OF SELECTED WOMEN'S AND CHILDREN'S GARMENTS
(in thousands of units)

Product	Year 1983	Year 1984	Year 1985	Year 1986	Year 1987	Jan-Mar. 1987	Jan-Mar. 1988
Coats & jackets (a), cotton	19,683	26,267	24,827	28,635	32,018	8,657	7,577
" " " wool	3,305	4,409	4,990	5,606	5,104	338	216
" " " synthetic	46,820	48,165	45,247	49,870	49,544	10,577	10,033
" " " other	N.A.	N.A.	N.A.	N.A.	2,772	1,861	1,145
TOTAL	69,807	78,841	75,064	84,110	89,438	21,433	18,972
Suits, wool	1,393	1,417	1,176	1,510	1,325	80	20
" synthetic	5,003	5,504	5,096	6,498	6,497	2,216	1,196
" other	N.A.	N.A.	N.A.	N.A.	511	277	396
TOTAL	6,396	6,922	6,795	8,609	8,333	2,573	1,612
Dresses, cotton	12,329	16,785	17,725	20,889	25,324	9,760	11,852
" wool	1,022	1,996	1,730	2,326	1,607	77	94
" synthetic	21,321	25,775	30,468	37,133	37,370	11,248	11,771
" other	N.A.	N.A.	N.A.	N.A.	2,085	1,084	919
TOTAL	34,672	44,556	49,923	60,349	66,384	21,868	24,636
Blouses (b), cotton	103,041	115,536	136,510	160,071	164,222	51,997	46,895
" wool	2,325	2,997	3,140	3,075	2,593	244	180
" synthetic	76,724	81,042	112,478	137,464	108,246	32,084	26,369
" other	N.A.	N.A.	N.A.	N.A.	10,709	4,885	5,771
TOTAL	182,091	199,575	252,128	300,611	285,770	89,209	79,214
Knit shirts, cotton	88,904	120,412	113,419	162,925	200,883	68,508	73,900
" wool (b)	7,663	10,908	8,845	10,087	8,838	697	532
" " synthetic	208,893	210,453	206,777	244,681	240,392	75,802	52,981
" " other	N.A.	N.A.	N.A.	N.A.	1,421	265	981
TOTAL	305,460	341,773	329,041	417,593	451,534	145,271	128,395
Sweaters (b), cotton	10,057	15,141	20,715	24,324	25,538	7,275	6,652
" wool	35,413	41,382	44,472	41,653	38,219	3,264	2,320
" synthetic	129,307	127,035	146,001	149,623	145,475	20,188	14,014
" silk	N.A.	N.A.	19,949	9,289	15,067	3,322	3,372
" other	N.A.	N.A.	95,000	127,289	107,362	29,622	11,731
TOTAL	174,777	188,240	326,137	352,171	331,661	63,671	38,089
Skirts, cotton	19,548	25,756	27,236	38,450	63,053	19,086	22,834
" wool	2,927	4,239	5,216	8,395	6,035	242	206
" synthetic	14,023	15,666	18,297	33,490	36,367	8,932	9,017
" other	N.A.	N.A.	432	4,751	7,341	3,534	2,982
TOTAL	36,498	45,661	51,181	85,085	112,796	31,794	35,039
Slacks & shorts, cotton	142,760	150,426	156,871	182,205	189,093	61,541	54,757
" " " wool	2,201	3,156	5,019	4,458	3,495	144	261
" " " synthetic	96,438	114,036	131,946	147,606	134,671	52,574	37,661
" " " other	N.A.	N.A.	N.A.	N.A.	24,963	8,326	12,807
TOTAL	241,399	267,618	293,836	334,270	352,223	122,585	105,486
Playsuits (b), cotton	21,946	33,215	36,200	41,544	37,862	18,634	16,888
" synthetic	9,818	13,852	16,245	27,790	20,843	9,964	7,057
TOTAL	31,764	47,067	52,446	69,334	58,706	28,598	23,945
Dressing gowns & robes (b), cotton	5,537	6,373	8,116	9,389	9,383	2,663	2,405
" " " " synthetic	2,973	3,943	3,694	5,630	6,725	1,655	1,672
" " " " other	N.A.	N.A.	N.A.	N.A.	137	62	29
TOTAL	8,511	10,316	11,810	15,018	16,245	4,380	4,106
Nightwear & pajamas (b), cotton	25,351	27,723	31,598	34,815	33,885	6,215	6,751
" " " synthetic	8,182	12,317	21,047	27,820	30,432	7,564	7,855
" " " other	N.A.	N.A.	N.A.	N.A.	110	42	28
TOTAL	33,533	40,040	52,645	62,635	64,426	13,821	14,634
Underwear (b), cotton	87,868	87,596	125,606	137,350	164,462	39,201	44,416
" synthetic	56,020	102,603	106,917	134,828	139,886	34,650	36,508
" other	N.A.	N.A.	N.A.	N.A.	773	369	83
TOTAL	143,888	190,199	232,523	272,178	305,120	74,220	81,007
Brassieres, girdles, cotton	[illegible]	9,951	9,410	8,843	7,501	1,922	1,385
" " synthetic	[illegible]	176,114	176,008	170,715	188,694	43,986	48,304
TOTAL	[illegible]	186,065	185,418	179,558	196,194	45,908	49,689

(a) Includes raincoats
(b) Includes men's and boy's garments
N.A. Not available

SOURCE: U.S. Bureau of the Census (General Imports)

Some improvement in the retail picture may be forthcoming later this year. This will lead to a resurgence of imported apparel. It is still imperative that the Textile and Apparel Trade Act be enacted by the Congress this year and that an expected Presidential veto be overridden. This is the only way to insure that the American apparel industry and American apparel workers have a fair share of our own market.

INDUSTRY ACTIVITY

Activity in the women's and children's apparel industry continued its downward slide in early 1988. The industry's physical volume of output declined an additional 2 percent in the first four months of 1988 as compared to a year back. This came on the heels of nine successive years of declining volume and brought activity to 73 percent of the 1979 peak.

Periodically, claims are heard that apparel production is being brought back to the United States from abroad. While it appears that this may be the case with some individual companies, there are no signs such returns have reached the point where they offset the continued flow of work abroad and result in a net gain in industry activity.

Production data for individual items of apparel for the first quarter of 1988 are not yet available from the Census Bureau. The new quarterly survey has been published for the entire year 1987, but lack earlier comparable data. Until later this year, therefore, employment must serve as the guide to developments in the different branches of the industry.

The number of production workers in the women's and children's apparel industry continued its long-term decline in 1988. In the first four months of 1988, the total industry employment fell 1.4 percent. The length of the average work week increased 0.7 percent and in combination with a similar increase in the number of work days helped keep total hours worked at last year's level.

Average weekly earnings through April were 3.0 percent ahead of 1987, while the industry's payrolls were up 2.2 percent.

The 1988 declines are only slightly smaller than those of 1987 when employment fell 2.7 percent and total hours worked slipped 0.8 percent. In comparison to the peak levels of 1973, the number of production workers in the industry is down by 27.2 percent. This represents an actual loss of some 180,000 jobs.

Employment patterns varied widely in the several branches of the industry in the first four months of 1988. The deepest cut -- 8.3 percent -- was in the corset and brassiere branch. Blouse employment was off 4.6 percent this year and declines in knit outerwear and children's outerwear were 3.2 percent and 2.6 percent respectively. The number of production workers was down 1.1 percent in underwear and nightwear, 0.8 percent in dresses and 0.5 percent in "other women's outerwear", which includes a wide variety of sportswear as well as washable service apparel.

In the remaining two branches of the industry, 1988 employment was ahead. In knit underwear the gain was 1.3 percent. In coats, suits and skirts, 5.1 percent more workers were employed this year than in the first four months of 1987, though fewer than in the same 1986 period.

EMPLOYMENT, MANHOURS, AND PAYROLLS, WOMEN'S AND CHILDREN'S GARMENT INDUSTRY

AVERAGE EMPLOYMENT OF PRODUCTION WORKERS

Period	Coat, Suit Skirt	Dress	Blouse	Knit Outerwear (*)	Child. Outerwear	Other Outerwear	Corset, Brassiere	Underwear Nightwear	Knit Underwear (*)
1973	64,500	183,700	45,900	70,200	68,900	102,000	24,700	72,800	28,700
1980	57,100	127,900	54,100	59,400	55,100	120,400	13,900	62,100	26,700
1981	53,200	121,300	55,000	60,000	54,700	123,400	14,200	62,500	26,300
1982	47,900	110,900	52,200	55,400	52,000	117,700	12,100	58,600	24,200
1983	47,100	105,600	51,300	54,100	51,000	124,200	12,200	58,100	24,700
1984	42,400	96,600	50,000	57,000	53,900	134,400	12,300	58,300	23,300
1985	36,600	78,800	44,100	55,700	50,800	142,400	11,200	53,400	20,700
1986	34,500	72,100	40,700	60,900	51,500	148,200	10,800	52,100	20,500
1987	33,200	69,300	38,800	63,700	49,700	152,800	9,400	50,500	21,800
Jan-Apr'87	29,900	69,900	39,100	62,700	49,800	154,700	9,900	50,500	21,500
Jan-Apr'88	31,400	69,400	37,300	60,500	48,500	153,900	9,100	49,900	21,700

MANHOURS OF PRODUCTION WORKERS (in millions)

Period	Coat, Suit Skirt	Dress	Blouse	Knit Outerwear (*)	Child. Outerwear	Other Outerwear	Corset, Brassiere	Underwear Nightwear	Knit Underwear (*)
1973	109.7	307.6	80.0	134.6	123.1	182.6	44.6	132.3	54.6
1980	97.1	202.6	92.7	114.2	97.9	209.2	24.1	113.4	49.4
1981	90.2	197.6	93.8	112.5	99.0	216.6	25.4	114.1	47.5
1982	78.1	179.9	89.7	101.7	92.1	199.9	20.4	102.8	41.9
1983	80.1	173.1	88.9	100.6	91.4	222.4	21.8	106.4	46.3
1984	72.7	160.1	86.8	106.5	98.7	241.1	22.7	107.6	43.6
1985	62.7	133.2	76.8	105.1	93.0	255.0	20.2	98.3	38.0
1986	60.1	123.0	71.9	116.9	95.7	263.1	19.0	99.8	40.4
1987	58.6	122.4	69.5	125.1	92.8	274.3	16.7	96.0	43.6
Jan-Apr'87	16.9	40.8	23.1	39.9	30.0	92.0	5.7	30.8	14.1
Jan-Apr'88	18.5	41.3	22.0	38.9	29.7	92.7	5.6	31.3	13.7

PAYROLLS OF PRODUCTION WORKERS (in millions of dollars)

Period	Coat, Suit Skirt	Dress	Blouse	Knit Outerwear (*)	Child. Outerwear	Other Outerwear	Corset, Brassiere	Underwear Nightwear	Knit Underwear (*)
1973	$347.1	$906.5	$209.6	$389.0	$314.3	$481.7	$120.1	$321.9	$144.5
1980	489.2	953.7	399.0	535.6	417.9	930.0	105.9	464.1	225.4
1981	490.9	1,002.7	436.9	567.4	450.6	1,032.7	121.3	508.5	234.5
1982	444.0	946.5	427.8	534.1	436.2	991.7	103.9	476.3	216.6
1983	476.7	953.7	436.1	555.4	438.5	1,129.6	115.1	511.4	246.6
1984	448.8	912.1	439.2	615.9	488.8	1,261.0	126.4	535.4	241.8
1985	404.0	772.4	394.3	636.8	471.2	1,361.5	118.6	508.6	217.0
1986	388.1	720.0	366.0	742.7	494.1	1,428.8	117.3	518.6	238.2
1987	381.1	740.4	350.9	814.6	489.7	1,519.9	108.3	511.9	267.7
Jan-Apr'87	109.1	243.8	116.7	257.6	156.3	510.4	36.2	163.0	85.7
Jan-Apr'88	119.2	251.3	112.5	251.8	161.5	530.4	37.4	171.0	87.8

* Men's and women's garments

SOURCE: U.S. Bureau of Labor Statistics and ILGWU Research Department estimates

The unemployment rate among apparel workers this year ranged between 7.3 percent and 9.3 percent, well above the national average. While apparel unemployment is lower than in recent years, this is more a reflection of the changing character of the domestic industry than a sign of improved conditions.

As more and more garment production is shifted abroad, the number of jobs in such production crafts as sewing machine operator or presser has declined. These jobs closely reflect industry activity and have a greater influence on the unemployment rate.

Administrative and distribution jobs have declined proportionately less. In addition, over time, many apparel workers have left the industry and are therefore no longer counted as unemployed. New workers, on the other hand, have not come into the industry at the rate in prior years. The net result is a lower unemployment rate even while activity declines.

AVERAGE HOURLY EARNINGS, WOMEN'S GARMENT AND OTHER SELECTED INDUSTRIES

Industry	Apr. 1982	Apr. 1983	Apr. 1984	Apr. 1985	Apr. 1986	Apr. 1987	Apr. 1988
WOMEN'S GARMENTS							
Coats, Suits, skirts	$5.72	$5.75	$6.05	$6.37	$6.54	$6.48	$6.45
Dresses	5.25	5.42	5.60	5.90	5.80	6.01	6.09
Blouses	4.82	4.89	5.03	5.10	5.09	5.03	5.08
Knitted outerwear*	5.24	5.49	5.79	6.09	6.32	6.48	6.37
Children's outerwear	4.79	4.80	4.95	5.06	5.19	5.21	5.41
Other outerwear	4.94	5.07	5.23	5.37	5.41	5.53	5.75
Corsets, brassieres	5.13	5.20	5.60	5.83	6.16	6.42	6.59
Underwear, nightwear	4.62	4.81	4.93	5.23	5.23	5.30	5.50
Knitted underwear*	5.14	5.31	5.59	5.70	5.92	6.03	6.44
MEN'S CLOTHING							
Suits, coats	6.02	6.16	6.41	6.72	6.65	6.82	6.80
Shirts, nightwear	4.67	4.75	4.92	5.05	5.16	5.28	5.43
Separate trousers	4.84	5.01	5.19	5.39	5.28	5.37	5.40
Work clothing	4.69	4.89	5.09	5.30	5.51	5.58	5.54
ALL MANUFACTURING	8.42	8.75	9.12	9.50	9.71	9.87	10.11
NON-DURABLE GOODS	7.66	8.03	8.30	8.70	8.89	9.16	9.36
DURABLE GOODS	8.94	9.28	9.69	10.04	10.28	10.38	10.65
Automobiles	11.47	11.98	12.61	13.37	14.98	13.41	14.10
Primary metal industries	11.23	11.25	11.55	11.64	11.95	11.92	12.12
Printing, publishing	8.60	9.02	9.31	9.62	9.89	10.17	10.40
Rubber & plastic products	7.54	7.92	8.28	8.49	8.64	8.84	9.03
Cotton fabrics	6.01	6.40	6.76	7.06	7.17	7.45	7.72
Silk & synthetic fabrics	6.07	6.53	6.94	7.15	7.30	7.64	7.91
Wool fabrics	6.05	6.36	6.76	6.99	7.28	7.62	7.98
COAL MINING	12.37	13.46	14.63	15.34	15.23	15.55	15.80
BUILDING CONTRACTORS	10.36	10.74	10.79	11.22	11.32	11.60	12.08

* Men's and women's garments
SOURCE: U.S. Bureau of Labor Statistics

HOURLY EARNINGS

The latest Bureau of Labor Statistics data on hourly earnings in our industry are for April 1988. These data are for unionized and unorganized shops combined; no separate data are available. The data represent wage payments and exclude the cost of fringe benefits.

Movements in industry earnings reflect not only wage increases, but also the impact of shifts in the products made by an industry or the geographical location of the industry's plants.

Between April 1987 and April 1988, hourly earnings in knit underwear rose 41 cents an hour, nearly double that of the next closest branch. In other women's outerwear, including many sportswear items, the gain was 22 cents.

In both children's outerwear and underwear and nightwear hourly wages rose 20 cents, while in corsets and brassieres earnings moved up 17 cents an hour. In other branches gains were more limited. Dress earnings were up 8 cents an hour between April 1987 and April 1988; in blouses the increase was 5 cents.

Wages declined this year in two branches -- coat, suit and skirt earnings were off 3 cents and those in knitted outerwear were down 11 cents an hour.

All these data, of course, were collected prior to the effective date of the first round of wage increases under the new outerwear agreements negotiated by the ILGWU last month. The impact of these agreements will not be seen until later data are collected.

COMMENTARY

Apparel imports, which with textiles accounted for more than 16 percent of the U. S. trade deficit in 1987, are illustrative of a major reason why dollar devaluation has not accomplished its aim. In apparel import terms, as will be shown, the dollar has not only not declined, but has risen in value 28 percent.

This analysis deals with the overall rise in the value of the dollar in countries which provide the overwhelming share of apparel imports and the coincidental decline in the domestic sales market. In summary,

* apparel costs should have gone down sharply as the dollar has increased in value in the major exporting countries;

* this should have resulted in lower retail prices, but they have been rising, according to the Consumer Price Index;

* retail apparel sales, however, have been essentially flat for the past ten months, another reason why apparel prices should be going down;

* the flatness in retail sales, in turn, has resulted in a decline in the rate of growth in apparel imports;

* retailers have taken advantage of the opportunity presented by Easter and spring and summer purchases to raise prices.

While the dollar has dropped in value by upwards of 50 percent against the currencies of the major industrial countries, in terms of imports from all countries it has gone down considerably less. As a result, the trade deficit remains at very high levels.

Supposedly, forcing devaluation of the dollar would cause import costs to go up and export prices to come down. This would lead to a drop in imports and an increase in exports and thus to a more acceptable trade balance. We have dealt in the past with some of the reasons why this policy is not succeeding.

In essence, they include the decline in manufacturing capability in the U. S., the result of government policy; subsidization of exports by many producing countries in order to maintain market share; the absorption of some increased pricing in the industrialized exporting nations; and the fact that close to 40 percent of our imports come from countries where the dollar has risen or remained flat, thereby encouraging additional imports.

The ILGWU Research Department has analyzed the recent changes in the value of the dollar in terms of their affect on apparel trade. The changes were measured at two points: February 1985, when the dollar peaked, and at the end of 1987, the last year for which total apparel import data are available. The data show that the apparel trade-weighted dollar has risen 28 percent since the 1985 policy decision to force a drop in the value of the dollar.

We took the data for countries that shipped to the U. S. $100 million or more in apparel products in 1987. These countries, 28 in all, accounted for 93.6 percent of all apparel imports in 1987, or $19,187,857,000 out of $20,490,296,000. In summary, the data show:

Country or Area	1987 Imports in $000's	1987 Share of Total	Apparel Weighted Change in Value of Dollar
Canada	$ 272,659	1.3 %	- 6.0 %
6 Latin American countries	1,434,543	7.0 %	+ 432.2 %
15 Asian countries	15,722,862	76.7 %	- 1.7 %
4 European countries	1,455,676	7.1 %	- 42.5 %
Turkey	190,115	0.9 %	+ 100.7 %
Mauritius	112,002	0.5 %	- 26.0 %
Total for 28 countries	$19,187,857	93.6 %	+ 28.0 %
World	$20,490,296	100.0 %	

The first two columns show the country and the 1987 apparel import dollar value. The third column indicates the percentage share of imports from each

country or group of countries in 1987. The fourth column shows the percentage rise or fall in the apparel value of the dollar between the February 1985 peak and at the end of 1987.

More than 100 countries export apparel to the U. S. Using 93.6 percent of all apparel imports valued in dollars is, however, close enough to the total to determine import shares and what happened to apparel import costs expressed in terms of the changed dollar exchange values.

We have calculated exchange rates at February 1985 and December 1987, not in real dollars, i. e., dollars deflated by the Consumer Price Index, as some analyses of the dollar do, because,

* CPI data, particularly from third world countries, are highly questionable even if they exist;

* few countries compute apparel prices separately;

* assuming availability and accuracy, overall CPI data for a country have little relationship to retail apparel prices and, more important, to the wholesale price of apparel, the price charged U. S. importers;

* even if wholesale prices were available, they would not be useful because apparel made for U. S. importers invariably does not enter the domestic markets of exporting nations;

* the prices charged U. S. importers reflect efforts by manufacturers abroad to hold on to market share and are often subsidized;

* CPI would not be affected by changes in wage rates in producing countries, assuming the availability of such data, because little if any product enters their domestic markets;

* available data do not show how much of the prices charged U. S. importers reflect the upgrading of product quality.

Lower import costs should have led to a decline in retail prices. Instead, prices have risen, according to the CPI, and are widely -- if inaccurately -- attributed in the press to a decline in the dollar. If there are further retail apparel price increases, they will surely also be related to an alleged drop in the dollar's value.

Large increases in retail apparel prices, such as took place for March and April 1988, reported as a new phenomenon and related to the implied universal dollar decline, are similar to those that have often occurred in the past, but without the fanfare. The press seems to be anxious to show that government policy is succeeding, without specific analysis of what has happened to the dollar in each exporting country, including those which export apparel.

For example, the increase in total apparel prices in March 1988 over March 1987 was 4.6 percent and April data for the same years show a rise of 5.2 percent. In comparison with these price measures, apparel prices were up 4.7 percent in January 1988 over January 1987, 5.1 percent in December 1987 over the same month in 1986, 6.8 percent in both October and November 1987 over the like months in the prior year and so forth.

Although, as the table shows, the dollar has clearly not been the cause of apparel price rises, the most recent price increases can be accounted for by a number of factors. The most important of these, as the ILGWU has pointed out over the years, is the profit opportunity afforded retailers. Imports allow them to buy cheaply because of massive wage differentials and to sell at the same or at higher prices as domestically produced apparel.

This was a major element in the rise in apparel prices in March and April of this year. After desultory retail sales in the prior eight or nine months, about which more below, an early Easter and the onset of spring provided the opportunity to raise prices and increase profits. Furthermore, the glut of inventories had caused retailers to drop prices in order to move product. Some of the loss in profit could now be recovered.

The enormous differential between import costs and the prices charged by retailers, especially for imports from the low wage Pacific rim nations and Latin America, have normally provided more than reasonable profits. Now, the retailers would not miss the opportunity to raise retail prices even further.

Retail apparel sales began to weaken last summer. This was most marked in sales of women's and children's apparel, which represent two-thirds of all apparel sales and roughly the same share of imports. Sales of men's and boy's apparel, including imports, have provided most of what strength has existed in apparel sales since last summer.

Total apparel sales in real (1982) dollars went down 0.55 percent in August 1987 over the prior August, rose in September and October, were down 3.24 percent in November and went up again in the December shopping season. Both January and February 1988 witnessed further drops of 0.89 percent and 0.37 percent over the same months in 1987. March showed the 4.6 percent and April the 5.2 percent increase improperly attributed to a fall in the dollar.

In the case of women's and children's apparel the retail market began to have problems in June 1987, when the increase in sales was minimal against that in June 1986. Subsequently, sales rose in July, were up slightly in August, stayed flat in September, were down a sharp 1.45 percent in October and 3.92 percent in November. In the December Christmas buying month, sales of women's apparel were flat. In January 1988, they dropped 1 percent, somewhat less in February, and then rose 4.15 percent in March.

Apparel outlays cited in the detail of personal consumption expenditures, a key component of Gross National Product, bear out the decline in retail sales. With the exception of December 1987, real apparel outlays went down in each month between August 1987 and April 1988. The decline was especially severe in women's and children's apparel sales.

The break in retail sales also affected apparel imports. At mid-year 1987, imports were up 12.6 percent in volume and 24.5 percent in value. Apparel imports for the year, however, rose only 4.6 percent in volume and 18.5 percent in value. In dollar terms, apparel imports in the first three months of 1988 are up 3.6 percent in value, but down 7.7 percent in volume.

The major cause for the decline in the rate of increase in apparel imports -- they are still at all-time high historical levels -- has been the virtual collapse of the domestic market. The decline in the rate of growth that

became apparent in the summer of 1987 led to efforts by retail stores to cut back or cancel import orders, where possible, or to put off delivery. The drop in the rate of growth in imports was not replaced by domestic output; sales simply faltered and inventories grew to record highs.

Inventories developed rapidly as sales fell off or did not meet expectations. This, in turn, led to retail price drops to move inventory. A new spring and an upcoming summer season, fueled by a decrease in import orders, provided the opportunity to raise prices in March and April 1988.

With imports an estimated 55 percent of all apparel sales in 1987 and 60 percent in women's and children's garment sales, products offered in the marketplace were also more than ever determined by a tendency to play it safe. This is reflected in much "sameness" in procurement and a growing movement away from creativity and attention to style. "Sameness", along with higher prices, contributed to turning off consumer purchasing.